

AMENDED IN ASSEMBLY APRIL 16, 2007

CALIFORNIA LEGISLATURE—2007—08 REGULAR SESSION

ASSEMBLY BILL

No. 1279

Introduced by Assembly Member Coto

February 23, 2007

An act to amend Section 8450 of the Education Code, relating to child care.

LEGISLATIVE COUNSEL'S DIGEST

AB 1279, as amended, Coto. Child care: child development contractors: reserve funds.

The Child Care and Development Services Act provides child care and development services to children from birth to age 13 and their parents through full- and part-time programs. The act encourages child development contractors to develop and maintain a reserve within the child development fund derived from earned but expended funds. The act authorizes child development contractors to retain a reserve fund for alternative payment model and certificate child care contracts not to exceed the greater of 2% of the sum of the parts of each contract to which the contractor is a party or \$1,000.

This bill instead would ~~provide that~~ *limit* the reserve fund for alternative payment model and certificate child care contracts ~~may not exceed an unspecified percentage to~~ 5% of the sum of the parts of each contract to which the contractor is a party.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 *SECTION 1. (a) The Legislature finds and declares all of the*
2 *following:*

3 *(1) Alternative payment programs have many variable costs*
4 *that make maintaining a prudent reserve of funds vital to the*
5 *overall fiscal health of the program.*

6 *(2) Allowing child care contractors to maintain a fiscally*
7 *prudent reserve will extend the life of funds appropriated for child*
8 *care purposes.*

9 *(3) Every other year the state is required by federal law to*
10 *conduct a regional market rate (RMR) survey. If the RMR*
11 *maximums are raised significantly in a county in which an*
12 *alternative payment program is located, a child care contractor's*
13 *costs can be increased to a higher level than anticipated. That type*
14 *of increase is a major concern for high-cost counties that, as a*
15 *result of RMR surveys, have been forced to stop providing services*
16 *to some children due to a lack of funds.*

17 *(4) Maintaining a prudent reserve account will provide a safety*
18 *net for child care contractors that do not know the exact cost of*
19 *care for each enrolled child due to changes in the parent schedule,*
20 *the type of provider, and the attrition rate.*

21 *(b) It is the intent of the Legislature in enacting this act to do*
22 *all of the following:*

23 *(1) Establish reserve funds for child care and development*
24 *contractors to ensure the continuation of approved early childhood*
25 *development and educational services for working poor families*
26 *and children.*

27 *(2) Allow alternative payment programs to maximize services*
28 *for working poor families who are currently placed on the*
29 *countywide centralized eligibility list.*

30 *(3) Continue funding child care contractors as changes in the*
31 *California regional market rates are implemented.*

32 *(4) Ensure that all earned family support and administration*
33 *funds stay within the community serviced by an alternative payment*
34 *program for the purpose of supporting child care and early*
35 *education programs that serve the children of working poor*
36 *families.*

1 SECTION 1.

2 SEC. 2 Section 8450 of the Education Code is amended to
3 read:

4 8450. (a) All child development contractors are encouraged
5 to develop and maintain a reserve within the child development
6 fund, derived from earned but unexpended funds. Child
7 development contractors may retain all earned funds. For the
8 purpose of this section, “earned funds” are those for which the
9 required number of eligible service units have been provided.

10 (b) Earned funds may not be expended for the activities
11 proscribed by Section 8406.7. Earned but unexpended funds shall
12 remain in the contractor’s reserve account within the child
13 development fund and shall be expended only by direct service
14 child development programs that are funded under contract with
15 the department.

16 (c) Notwithstanding subdivisions (a) and (b), a contractor may
17 retain a reserve fund balance for a resource and referral program,
18 separate from the balance retained pursuant to subdivision (b), not
19 to exceed 3 percent of the contract amount. Funds from this reserve
20 account may be expended only by resource and referral programs
21 that are funded under contract with the department.

22 (d) Notwithstanding subdivisions (a) and (b), a contractor may
23 retain a reserve fund for alternative payment model and certificate
24 child care contracts, separate from the reserve fund retained
25 pursuant to subdivisions (b) and (c). Funds from this reserve
26 account may be expended only by alternative payment model and
27 certificate child care programs that are funded under contract with
28 the department. The reserve amount allowed by this section may
29 not exceed ~~_____~~ *five* percent of the sum of the parts of each contract
30 to which that contractor is a party that is allowed for administration
31 pursuant to Section 8276.7 and that is allowed for supportive
32 services pursuant to the provisions of the contract.

33 (e) Each contractor’s audit shall identify any funds earned by
34 the contractor for each contract through the provision of contracted
35 services in excess of funds expended.

36 (f) Any interest earned on reserve funds shall be included in the
37 fund balance of the reserve. This reserve fund shall be maintained
38 in an interest-bearing account.

1 (g) Moneys in a contractor’s reserve fund may be used only for
2 expenses that are reasonable and necessary costs as defined in
3 subdivision (n) of Section 8208.

4 (h) Any reserve fund balance in excess of the amount authorized
5 pursuant to subdivisions (c) and (d) shall be returned to the
6 department pursuant to procedures established by the department
7 and reappropriated as second-year funds consistent with Section
8 8278.

9 (i) Upon termination of all child development contracts between
10 a contractor and the department, all moneys in a contractor’s
11 reserve fund shall be returned to the department pursuant to
12 procedures established by the department, and reappropriated as
13 second-year funds consistent with Section 8278.

14 (j) Expenditures from, additions to, and balances in, the reserve
15 fund shall be included in the agency’s annual financial statements
16 and audit.